

Message Text

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PAGE 01 TEL AV 01176 181012Z

21

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 ABF-01 OMB-01

STR-04 CIAE-00 INR-07 NSAE-00 CIEP-02 /033 W

----- 130819

R 180949Z FEB 76

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 226

UNCLAS TEL AVIV 1176

E.O. 11652: N/A

TAGS: EFIN, IS

SUBJECT: NEXT YEAR'S BUDET RAISED

REF: (A) TEL AVIV 1141, (B) 75 TEL AVIV 8217

1. FEB. 15, GOI CABINET APPROVED INCREASE IN PROPOSED FY 1976/77 BUDGET (BEGINNING APRIL 1) TO IL 85.2 BILLION. IL 950 MILLION INCREMENT WILL BE USED EXCLUSIVELY FOR EXPORT REBATES IN ORDER HELP ACHIEVE TARGET OF 11 PERCENT INCREASE IN EXPORTS IN 1976. ON REVENUE SIDE, GOI ESTIMATES IL 400 MILLION FROM INCREASED TRAVEL TAX (REF A); IL 400 MILLION DUE TO REVISED ESTIMATES OF REVENUE FROM DEBTS; ANOTHER IL 600 MILLION FROM INCREASED BANK OF ISRAEL PROFITS BECAUSE OF INCREASED INTEREST RATES ON PRODUCTION LOANS TO EXPORTERS; PLUS IL 50 MILLION FROM MISCELLANEOUS SOURCES.

2. BUDGET WILL BE PRESENTED TO KNESSET FEB. 23; DEFICIT ESTIMATED AT IL 2.7 BILLION. IN ORDER TO RESTRAIN DEFICIT SPENDING, CABINET DECIDED THAT IN FUTURE ANY PROPOSALS WITH BUDGETARY IMPACT MUST BE CLEARED BY DIRECTOR OF BUDGETS AND WILL HAVE TO CONTAIN STATEMENT OF REVENUE SOURCE. CABINET ALSO DECIDED THAT MONTHLY EXPENDITURES IN FIRST QUARTER FY 1976/77 CANNOT EXCEED ONE-FIFTEENTH AND SECOND QUARTER ONE-TWELFTH OF TOTAL BUDGET.

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3. COMMENT: FURTHER DOUBTS HAVE BEEN CAST ON GOI'S

BUDGET ESTIMATES BY RECENT ANNOUNCEMENT THAT IMPLEMENTA-
TION OF VALUE ADDED TAX (VAT) WILL BE DELAYED
FOUR TO SIX WEEKS BEYOND PLANNED DATE OF APRIL 1, DUE TO
SLOWDOWN BY REVENUE WORKERS. VAT IMPLEMENTATION HAS
SLIPPED SO OFTEN THAT FURTHER POSTPONEMENT WOULD BE NO
SURPRISE. HOWEVER, SINCE NEXT YEAR'S BUDGET PROJECTS
IL 2.5 BILLION FROM VAT, EACH MONTH'S DELAY RESULTS IN
ABOUT IL 200 MILLION LOSS IN REVENUES.
TOON

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